



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11

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**Auditor of State  
Betty Montgomery**

McKinley Memorial Library  
Trumbull County  
40 Main Street  
Niles, Ohio 44446

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

October 16, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

McKinley Memorial Library  
Trumbull County  
40 Main Street  
Niles Ohio 44446

To the Board of Trustees:

We have audited the accompanying financial statements of McKinley Memorial Library, Trumbull County, (the Library) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of McKinley Memorial Library, Trumbull County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

October 16, 2006

**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Other Government Grants-In-Aid	\$1,145,041		\$1,145,041
Patron Fines and Fees	28,078		28,078
Earnings on Investments	13,760		13,760
Services Provided to Other Entities	17,060		17,060
Contributions, Gifts and Donations	21,767		21,767
Miscellaneous Receipts	16,554		16,554
	<hr/>		<hr/>
Total Cash Receipts	1,242,260	0	1,242,260
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	654,254		654,254
Supplies	27,096		27,096
Purchased and Contracted Services	172,496		172,496
Library Materials and Information	227,368		227,368
Other Objects	20,555		20,555
Capital Outlay	21,455	6,069	27,524
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,123,224	6,069	1,129,293
Total Cash Receipts Over/(Under) Cash Disbursements	119,036	(6,069)	112,967
Fund Cash Balances, January 1	135,493	325,000	460,493
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$254,529</u></b>	<b><u>\$318,931</u></b>	<b><u>\$573,460</u></b>
Reserves for Encumbrances, December 31	<u>\$47,333</u>	<u>\$0</u>	<u>\$47,333</u>

*The notes to the financial statements are an integral part of this statement.*

**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Other Government Grants-In-Aid	\$1,138,783		\$1,138,783
Intergovernmental Revenue	\$2,325		\$2,325
Patron Fines and Fees	28,394		28,394
Earnings on Investments	6,489		6,489
Contributions, Gifts and Donations	10,591		10,591
Miscellaneous Receipts	17,123		17,123
	<hr/>		<hr/>
Total Cash Receipts	1,203,705	0	1,203,705
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	651,275		651,275
Supplies	55,784		55,784
Purchased and Contracted Services	166,391		166,391
Library Materials and Information	223,252		223,252
Other Objects	12,264		12,264
Capital Outlay	53,840	50,316	104,156
	<hr/>		<hr/>
Total Cash Disbursements	1,162,806	50,316	1,213,122
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	40,899	(50,316)	(9,417)
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		72,229	72,229
Transfers-Out	(72,229)		(72,229)
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(72,229)	72,229	0
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,330)	21,913	(9,417)
	<hr/>		<hr/>
Fund Cash Balances, January 1	166,823	303,087	469,910
	<hr/>		<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$135,493</u></b>	<b><u>\$325,000</u></b>	<b><u>\$460,493</u></b>
	<hr/>		<hr/>
Reserves for Encumbrances, December 31	<u>\$42,826</u>	<u>\$0</u>	<u>\$42,826</u>

*The notes to the financial statements are an integral part of this statement.*

**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the McKinley Memorial Library, Trumbull County, (the Library) as a body corporate and politic. The Board of Education of the Niles City School District appoint a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values repurchase agreements and certificates of deposit at cost. Money market mutual funds are recorded at share values the mutual fund reports.

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

*McKinley Birthplace Building and Repair Fund* – This fund is used to account for the construction and maintenance of the Replica House.

**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2005	2004
Demand deposits	\$267,432	(\$8,757)
Certificates of deposit	306,028	0
Total deposits	573,460	(8,757)
Money Market Mutual Fund		130,877
Repurchase agreement		338,373
Total investments	0	469,250
Total deposits and investments	\$573,460	\$460,493

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in mutual funds are not evidenced by securities existing in physical or book-entry form. The Library's financial institution transfers the securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,266,792	\$1,242,260	(\$24,532)
Capital Projects	0	0	0
Total	\$1,266,792	\$1,242,260	(\$24,532)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,402,285	\$1,170,557	\$231,728
Capital Projects	325,000	6,069	318,931
Total	\$1,727,285	\$1,176,626	\$550,659

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,218,978	\$1,203,705	(\$15,273)
Capital Projects	25,000	72,229	47,229
Total	\$1,243,978	\$1,275,934	\$31,956

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,383,476	\$1,277,861	\$105,615
Capital Projects	328,087	50,316	277,771
Total	\$1,711,563	\$1,328,177	\$383,386

**4. GRANTS-IN-AID**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**MCKINLEY MEMORIAL LIBRARY  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**5. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The McKinley Memorial Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**7. CONTINGENT LIABILITIES**

The Library is defendant in a lawsuit. Although legal counsel cannot determine the outcome of this suit, counsel believes that the resolution of this matter will not materially adversely affect the Library's financial condition.

**8. SUBSEQUENT EVENTS**

**Trumbull Library Consortium**

Six independent Trumbull County libraries including Bristol, Girard, Hubbard, Kinsman, Newton Falls, and McKinley have joined together forming a consortium for things such as joint automation projects, etc. The Consortium was formed due to a decrease in State funding, a reduction in the State and Local Government Support Fund within the County, and pressure from the State to combine duplicated services. The Library Directors recommend this project as a cost-saving measure. Research has shown that all the Libraries involved would save money. This would also allow library users to use one library card at all six libraries.

McKinley Memorial Library acts as the fiscal agent for the Trumbull Library Consortium.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

McKinley Memorial Library  
Trumbull County  
40 North Main Street  
Niles, Ohio 44446

To the Board of Trustees:

We have audited the financial statements of the McKinley Memorial Library, Trumbull County, (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 16, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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McKinley Memorial Library  
Trumbull County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 16, 2006



**Auditor of State  
Betty Montgomery**

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**MCKINLEY MEMORIAL LIBRARY**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 11, 2007**